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### EDITORIAL NOTE.

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### CONTENTS.

|                                                                         |     |     |        |
|-------------------------------------------------------------------------|-----|-----|--------|
| 1. THE COST OF BUILDING MATERIALS, by S. Moos                           | ... | ... | p. 241 |
| 2. RENTS AND RENT RESTRICTION, by P. Ady                                | ... | ... | 248    |
| 3. THE NEW PLANS FOR AN INTERNATIONAL INVESTMENT BOARD,<br>by T. Balogh | ... | ... | 254    |

### THE COST OF BUILDING MATERIALS.

In the present article the inquiry into building costs is continued,<sup>1</sup> in order to elicit why the actual increase in the cost of building differs from that indicated by the indices of wage-rates and of prices of building materials. In investigating how far the Board of Trade Wholesale Index of the latter is representative for present-day developments we have to examine the structure of this index and then test it against the changes in the relative importance as well as in the quality of the major building materials and in the costs of transport.

#### THE BOARD OF TRADE INDEX.

The Board of Trade index, as reconstructed in 1935, is mostly based on weekly quotations from which a monthly average is derived.<sup>2</sup> While with other commodity groups the weights of individual items are based on the value of goods manufactured or produced within the U.K. as given in the Census of Production 1930<sup>3</sup> and the imports of corresponding goods, in the index for building materials the individual items are weighted in accordance to their importance for building purposes. The weights were arrived at by collecting information with regard to the principal classes of materials used in the construction and repair (a) of working class dwellings and (b) of a superior type of stone faced office building. By some unknown procedure, the provisional weights were

<sup>1</sup> See article 'Labour Costs in Housing,' BULLETIN Vol. 5, No. 14

<sup>2</sup> The geometric mean is used in averaging the percentage price changes from the base year, a method which is said to reduce the influence of quotations which have become unrepresentative.

<sup>3</sup> Before 1935 the Census of 1907 formed this basis.

combined with the Census of Production, 1930, figures and the final weights established (Paint 3, Iron and Steel 3, Timber 2, Bricks and other clay products (excluding tiles) 2, Cement, sand and lime 2, Slates and tiles 1, Stone 1, Glass 1, Lead and earthenware 1, Total 16).

As far as the weights are based on the Census figures, changes between 1930 and 1935 can be estimated from published data.

TABLE I.  
*Building Materials in the Census of Production, 1930, 1935.*

|                                                                      | Quantities. |       | Value in £000 |       |        |       |
|----------------------------------------------------------------------|-------------|-------|---------------|-------|--------|-------|
|                                                                      | 1930        | 1935  | 1930          | %     | 1935   | %     |
| Building bricks (millions)                                           | 4,678       | 7,720 | 11,421        | 33.0  | 15,613 | 37.5  |
| Tiles, Roofing, (000 tons)                                           | 599*        | 823   | 2,040         | 10.7  | 2,300  | 11.8  |
| Tiles, Floors, Walls and<br>Hearth (000 cwt.)                        | 1,026       | 1,793 | 1,698         |       | 2,654  |       |
| Limestone†                                                           |             |       | 2,587         | 7.5   | 2,329  | 5.6   |
| Sandstone†                                                           |             |       | 1,581         | 4.5   | 1,285  | 3.1   |
| Cement† (000 tons)                                                   | 5,002       | 6,214 | 7,764         | 22.4  | 9,260  | 22.1  |
| Iron and Steel girders,<br>beams, joists, pillars<br>etc. (000 tons) | 357         | 513   | 2,902         | 8.4   | 3,639  | 8.7   |
| Glass, Slate and Sheet                                               |             |       | 4,727         | 13.5  | 4,666  | 11.2  |
| Total of above items                                                 |             |       | 34,720        | 100.0 | 41,746 | 100.0 |

\* Equivalent to 528 million tiles.

† For use in building.

‡ For use in building and engineering.

The consumption of timber<sup>1</sup> (including imports) in building has been estimated at £m. 40.1 for 1930 but no exact information has come forward. Nor are data on the value of paint used in the building industry available. The assignment of a weight of 3 to paint may be explained by the fact that the Board of Trade has included Repair work in the weights of the Index, and in the years preceding the war, repair accounted for some 25—30% of total building work. However, the total value of repairs includes decorating, plumbing, heating, lighting, carpentry work, shop and office fittings etc. and labour, so that paint still seems overweighted. On the other hand, various items in the sand and ballast group are not included in the Board of Trade index.

No explanation can be found for the weight of 3 for iron and steel. In 1930 iron and steel constructional work accounted for £m. 21.3 out of a total value of construction, alteration, repair or maintenance of £m. 355.8, that is 5.9%. The value of iron and steel girders, beams, joists, pillars, etc. inclusive of imports was about 1/3 of that of building bricks. However, the Board of Trade Index assigns 19% to iron and steel compared with 12½% for bricks. Since the larger part of building activity consists in the erection of dwelling houses, and a considerable part in repairs, timber and bricks should each be more important than iron and steel, although developments since the Census Year 1930 work towards an increasing employment of iron and steel. A certain shift from one-family to large tenement houses can be observed, and dwelling houses play a smaller role in total building activity than before, their share falling from 63% in 1930 to 57% in the first half of 1939, while that of factories, shops and offices increased, in the same period from 13% to 20%.

<sup>1</sup> Sawn softwoods, builders' woodwork and plywood.

TABLE II.

*Building Plans, in £ mill.*

|                     | Dwelling<br>Houses |    | Factories<br>& Work-<br>shops |    | Shops,<br>Offices<br>Warehouses<br>etc. |    | Churches<br>Schools<br>Public<br>Buildings |    | Other<br>Buildings;<br>Additions;<br>Alterations |    | Totals |     |
|---------------------|--------------------|----|-------------------------------|----|-----------------------------------------|----|--------------------------------------------|----|--------------------------------------------------|----|--------|-----|
|                     |                    | %  |                               | %  |                                         | %  |                                            | %  |                                                  | %  |        | %   |
| 1930                | 46.8               | 63 | 4.6                           | 6  | 5.5                                     | 7  | 8.4                                        | 11 | 9.4                                              | 13 | 74.6   | 100 |
| 1935                | 78.4               | 68 | 7.7                           | 7  | 7.9                                     | 7  | 9.0                                        | 8  | 11.3                                             | 10 | 114.3  | 100 |
| 1938                | 60.0               | 61 | 7.5                           | 8  | 9.5                                     | 10 | 9.5                                        | 10 | 11.1                                             | 11 | 97.6   | 100 |
| 1 half 1939         | 27.0               | 57 | 4.6                           | 10 | 4.8                                     | 10 | 4.9                                        | 10 | 6.0                                              | 13 | 47.3   | 100 |
| ∴ 1939, theoretical | 54.0               |    | 9.0                           |    | 9.6                                     |    | 9.8                                        |    | 12.0                                             |    | 94.6   |     |

Assuming the first half of 1939 to be representative for a full peace year, the value of building plans for new dwelling houses, between 1930 and 1939, rose by 15.4%, but that for factories, shops, etc. by 84% and the total value by 27%. The important changes in building activity since 1930, the year on which the weights of the Board of Trade index are based, continued up to the outbreak of war. Since then the character of building activity has been transformed, construction being concentrated on factories, hostels, barracks, airfields, shelters, etc. The output of bricks has shrunk to about one fourth<sup>1</sup> of peace time, while the production of concrete has been extended. During and after the war, some building materials may be scarce and be substituted by others. Under present conditions, an accurate re-weighting of building materials in an index of prices seems extremely difficult. The weights will depend on the general building policy. Important issues such as pre-fabrication against traditional methods, flats versus houses, repair versus new houses, imported versus home-grown timber, etc. have first to be decided.

We can say, however, that the relative underweight of timber in the index if compared with steel becomes significant when timber prices rise out of all proportion, as is the case at present. An increase of various building materials of some 40–60% compares with a 155% rise in timber. The second largest price increase has taken place in ballast ('2 in. unscreened' having risen by 80% and Thames ballast by 58%) which is also insufficiently represented in the index.

#### BRICKS, CEMENT AND TIMBER

The Board of Trade Index suffers not only from these deficiencies in the weighting of the major building materials but also from serious shortcomings in the price quotations used. Changes in the quality of the materials quoted are disregarded, probably owing to the difficulty in estimating the degree to which inferior material<sup>2</sup> and substitutes for materials in short supply have been employed. Yet a comparison of prices can only be of value insofar as the standard of quality is maintained. The extent of these shifts in quality may be gauged from the wide discrepancies in the estimates of price changes.

Estimates of the change in the price of bricks run from –2% to as much as + 100%. The differences in quotation are due to differences

<sup>1</sup> To some 2,000,000,000, Mr. Hicks, in House of Commons, 23/7/43.

<sup>2</sup> The present scarcity of materials is an incentive for disposal of stocks which could not be sold on a normal market. During, and after the last war, doors and windows were often made of green wood, and bricks were used which could not withstand the effect of frost.

in the quality quoted, to the change in the type of brick used, to the inclusion or exclusion of freight to the place of delivery, and to the levy of 3/- per 1000 bricks for the care and maintenance of 318 closed brick-works, a charge which is levied uniformly without regard to quality and may or may not be included in the quotation.

The war-time rise in the price of 1 ton of cement<sup>1</sup> has been given as 24% (from 41/- to 51/-), as 41% (from 41/- to 58/-) and as 50% (from 42/- to 63/-).<sup>2</sup>

The change in the prices of timber is difficult to estimate. The substitution of imported by home-grown timber involves not only a change in quality. While timber is imported according to specified grades in each particular species of wood, there is in home-grown timber no recognised grading, no special mark which would guarantee a certain quality. Although maximum prices are fixed by schedule, prices quoted seem to vary to such a degree, that no comparable figures can be given.

The maximum price schedule allows for special additions to be made of 10% in case of selected lengths and 20% for orders of less than £15 value for any one size and quality. In spite of official countermeasures there is always the possibility to split up large orders into £15 units. Often, lacking the sizes and grades wanted, more expensive wood has to be purchased. There is a further percentage increase on the maximum price of home-grown wood processed in this country, varying from 5% to 50% according to the location of the mill<sup>3</sup> and to other circumstances.<sup>4</sup> A 10% addition is allowed if the material had previously been delivered to a depot certified by the Ministry of Supply. It is thus not surprising that estimates with regard to the increase in timber prices, (per standard) vary measurably, between 275% (from £15 10s. to £60); 140% (from £20 to £48); 154% (from £28 to £71); 205% (from £18 to £55),<sup>5</sup> (pre-war compared with summer 1943).

The increase in the price of metal windows has been given as 75% and as 25%. In the first quotation qualities which had been widely used in peace but have meanwhile become scarce, were given their old pre-war weights, when the average price was compiled. The second quotation is based on a standard quality which has become representative for war-time building.

## TWO ESTIMATES OF PRICE CHANGES

Table III, giving prices of building materials as published weekly in 'The Builder,' reflects the complications in comparing pre-war and present quotations.

A comparison of the prices is misleading in so far as the quotations of 1939 refer to 'delivered to site' in the London Area, but are now partly

<sup>1</sup> The cost of which in building depends largely on the proportion of lime and cement to sand varying between 1 : 1 and 1 : 3.

<sup>2</sup> Estimates respectively by 'The Builder'; Mr. Hicks, Hansard, 1943, p. 1330, and Mr. Quibell (Brigg) Hansard 1943, p. 1289.

<sup>3</sup> Town, country, or port-city mill.

<sup>4</sup> The Control of Timber Order 1943, No. 192, differentiates between processed wood sold by a mill-owner and that sold by a retailer and between delivery to the buyer from the mill and delivery from a retailers' store.

<sup>5</sup> Estimates respectively by Mr. D. Quibell, House of Commons, 23/7/43, Mr. Hicks, House of Commons 23/7/43; Softwood, planed boards, British Columbia Pine, 'The Builder,' Times 22/7/43, Letter to the Editor by the President of the Housebuilders' Association.

TABLE III.  
Prices of Building Materials (Source 'The Builder\*')

|                                                 |             | 25/8/1939<br>delivered to<br>the site) | 15/10/1943           | Percentage<br>Increase |
|-------------------------------------------------|-------------|----------------------------------------|----------------------|------------------------|
|                                                 |             | £ s. d.                                | £ s. d.              |                        |
| Bricks, First Hard Stocks                       | per 1,000   | 4 15 0                                 | 4 13 0 (at works)    | —2                     |
| Thames Ballast                                  | „ yard      | 7 3                                    | 11 6 (Paddington, 58 |                        |
| Cement, in loads of 6 tons                      | „ ton       | 2 1 0                                  | 2 11 0 London)       | 24                     |
| Slates, 20 in. x 10 in.                         | „ 1000      | 20 15 0                                | 30 5 0 „             | 46                     |
| Tiles, part machine made                        | „ 1000      | 4 2 6                                  | 5 18 0 „             | 43                     |
| Softwood, Planed Boards,<br>Brit. Columbia Pine | „ std.      | 28 0 0                                 | 71 0 0               | 155                    |
| Steel, Joists, Girders, etc.                    | „ ton       | 16 0 0                                 | 24 0 0 „             | 50                     |
| White Lead Paint                                | „ cwt.      | 3 8 0                                  | 4 16 6               | 42                     |
| Sheet glass, 18 ozs.                            | „ ft. super | 2½                                     | 3½                   | 45                     |

\* Quoted by kind permission of 'The Builder.'

given 'at works' i.e. excluding freight, partly at certain stations and partly 'to site.'

This mode of calculation may be responsible for the fact that the rise in prices of several materials seems much lower in 'The Builder' than in other sources. Iron rain-water goods are still quoted at pre-war prices. 2 in. Unscreened Ballast appears with an increase of some 60% compared with 88% in the 'Architects' Journal.' The war-time levy of 3/- per 1000 bricks is excluded. Owing to this omission and to the exclusion of transport costs, the quotation for bricks, (first hard Stocks) has, in the course of the war, fallen by 2%. The price for cement, excludes the charge of 7/- for bags which in peace-time had been delivered free.

It is this not too satisfying price list of 'The Builder' from which the Board of Trade compiles its Index of Wholesale Prices of Building Materials.<sup>1</sup>

A comparatively good basis for comparison is given by the data published monthly in the 'Architects' Journal'; they refer to materials delivered to site in the London Area if not otherwise stated. Table IV gives the development of prices, half-yearly since the outbreak of war. It can be seen that the different materials vary considerably with regard to the total increase and to the timing of price-rises. Of the materials quoted<sup>2</sup> the greatest rise has taken place in ballast and in sheet lead, 80% and 65%. Bricks have risen by only 20%. Other materials are some 40—50% higher than before the war. With the exception of white lead paint and stoneware drain pipes, prices have moved only little since the second half of 1941.

If the Board of Trade weights are applied to the prices given in the 'Architects' Journal,<sup>3</sup> a war-time increase of some 53% is arrived at, and if we re-weight paint, steel, timber and cement using tentative weights of 2—2—2—3 instead of 3—3—2—2, an increase of some 58% results, against 43% as given by the Board of Trade for the second half of 1943.<sup>4</sup>

<sup>1</sup> The following quotations in 'The Builder' are used by the Board of Trade, timber, bricks, tiles, slates, cement, steel joists, bath stones, chalk, lime, ballast: glass, rain water pipes, white lead paint.

<sup>2</sup> Which do not include timber and glass.

<sup>3</sup> With the exception of timber and glass taken from 'The Builder.'

<sup>4</sup> In the 3rd quarter 1943 the Board of Trade increase was 45%.

TABLE IV.  
Wholesale Prices of Building Materials, 1939—1943.  
(Source: *Architects' Journal*.)

|                                                       | Pre-War<br>Price = 100 | 1 half<br>1940 | 2 half<br>1940 | 1 half<br>1941 | 2 half<br>1941 | 1 half<br>1942 | 2 half<br>1942 | 1 half<br>1943 | 3 quarter<br>1943 |
|-------------------------------------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|
|                                                       |                        |                |                |                |                |                |                |                |                   |
| Portland Cement, per ton*                             |                        |                |                |                |                |                |                |                |                   |
| 2 in. unscreened ballast per yard cube                | 2 1 0                  | 113.0          | 120.7          | 135.4          | 136.2          | 137.8          | 140.2          | 141.5          |                   |
| Fletton bricks (at station) per 1000                  | 5 9                    | 117.5          | 131.8          | 154.4          | 166.0          | 171.0          | 171.0          | 179.7          |                   |
| Stoneware deainpipes 6 in. each†                      | 2 6 0                  | 101.0          | 109.1          | 111.9          | 111.9          | 114.0          | 129.2          | 129.2          |                   |
| Roofing tiles, per 1000                               | 2 0                    | 109.4          | 112.5          | 118.8          | 120.4          | 128.1          | 137.5          | 138.6          |                   |
| Steel joists, basic sections‡, per ton                | 4 15 0                 | 109.3          | 126.5          | 120.0          | 130.0          | 130.0          | 142.5          | 144.0          |                   |
| Lime grey stone, per ton§                             | 12 10 0                | 119.0          | 136.4          | 147.5          | 147.5          | 147.5          | 147.5          | 147.5          |                   |
| Sheet lead 3½ lb. and over, per cwt.                  | 2 2 0                  | 115.9          | 121.0          | 131.0          | 134.7          | 135.3          | 135.3          | 143.5          |                   |
| Iron rainwater goods and soil pipes<br>4 in. per yard | 1 3 0                  | 150.0          | 150.0          | 150.8          | 154.4          | 156.2          | 165.2          | 165.2          |                   |
| Copper tubes straight 1½ in. each                     | 3 1                    | 111.1          | 114.7          | 119.5          | 122.0          | 126.5          | 126.5          | 126.5          |                   |
| White lead paint, per cwt.                            | 3 8½                   | 125.3          | 125.5          | 127.7          | 127.7          | 129.8          | 129.8          |                |                   |
|                                                       | 3 6 0                  | 122.6          | 125.3          | 126.5          | 127.4          | 134.9          | 138.6          | 145.0          |                   |
| Board of Trade Index of Building Materials            | 100.0                  | 110.2          | 116.7          | 132.4          | 135.0          | 137.1          | 140.9          | 142.9          | 145.0             |

\* 1 ton lots.

† Orders of 5 cwt and over.

‡ Orders, 4 tons and over

§ Orders 2 tons and over

|| Ex mills.

There are no Government fixed prices for bricks, tiles, lime, sand and ballast.<sup>1</sup> The system of control of building materials<sup>2</sup> is based not on compulsory powers but on voluntary co-operation of the trade associations concerned.

Apart from the building materials listed above the costs of specialists' work such as sanitary fittings, wall-tiling, ironmongery and internal plumbing has to be considered. Enquiries with important firms gave the following results: Prices of Sanitary equipment have risen by some 50—55%, of ironmongery 40%, of wall-tiling for glazed tiles 75%, for floor tiles 50%, and of internal plumbing (including domestic and hot water) 45%.<sup>3</sup> An average increase of some 50% in the price of specialists' work seems therefore a good approximation.

#### CONCLUSION.

Changes in the type and average distance of transport may be responsible for changes in cost out of proportion to the rise in freight rates. Overheads (which seem to run between 20% and 33½% on wages, and 10% to 12½% on materials) may have risen out of proportion to prime costs in some cases. War Risk Insurance at 3% on many material stocks must be counted. The effect of these and other small factors cannot be measured but allowance should be made for them. They are excluded from our final estimate of war-time changes in building costs which we can now summarise:

|                                     |         |         |       |
|-------------------------------------|---------|---------|-------|
| Building materials                  | 53—58 % | Average | 55.5% |
| Labour*                             |         |         | 91.0% |
| Wages and Materials (ratio 45 : 55) |         |         | 72.0% |

\* See 'Labour Costs in Housing,' BULLETIN Vol. 5, No. 14.

The difference between this estimate and that of 60—70% based on tenders for new dwellings in the previous article indicates the margin of error which may be due partly to an over-estimate of the costs of transferred labour, partly to the change in quality of buildings since the outbreak of war. If profit margins were higher than before the war, the increase in average costs of building would be over 75—80%.

A permanent source of unnecessarily higher costs is to be found in existing Standard Building Bye Laws which do not yet allow for the progress, before and during the war, in building materials, and which retard the extension of dove-tail (pre-fabrication) building. The future trend of the cost of building materials cannot easily be assessed. The liquidation of private building activity during the war may have prevented a further rise in prices. But the absence of a stricter control of prices of building materials will make it more difficult to avoid sharp upward movements when private building is resumed.<sup>4</sup>

S. Moos.

<sup>1</sup> For paint, profit margins have been fixed at 1939 levels by the Central Price Regulation Committee.

<sup>2</sup> Most building materials are controlled by the Ministry of Works, although under different forms of control, some of them stricter than others. Timber and steel are the concern of the Ministry of Supply.

<sup>3</sup> Referring to working-class houses.

<sup>4</sup> During the building boom 1920/21 building costs had risen to 300—350% above pre-war before they fell to 60—80% above the pre-war level. The average cost of a house (parlour and non-parlour) fell from £627—714 in 1921 to £319—429 in 1922. (Source: International Labour Office, 'Housing Policy in Europe.')

## RENTS AND RENT RESTRICTION

As the war continues, the supply of available housing falls increasingly short of demand. New building for civilian needs came, more or less, to a stop at the beginning of the war and bombing has destroyed many dwellings. On the other hand the increase in marriages and the natural increase in population, have produced an increased demand for housing accommodation which is only partly offset by the withdrawal of men into the forces. This demand varies greatly in local intensity because of the regional shifts of population. But even without these special factors on the demand side, the general rise of incomes would have produced symptoms of acute shortage. In the commodity sector of the economy such a situation might have been brought under control by rationing and price stops. An equitable distribution of housing accommodation, however, presents special problems, since both rents and allocation are more difficult to regulate than the prices and quantities of other commodities. The present situation is made even more complicated by the pre-war attempts to deal with this question for there has been a continuous shortage of houses since the last war. A review of previous regulations and their effects will be made before the legislation at present in force is examined.

The first Rent Restriction Act was passed in 1915, to operate for the duration of the war and six months afterwards, and as with each of its successors<sup>1</sup> the aim was two-fold: to protect the tenant against his landlord and the landlord against his mortgagee at a time when each was at a disadvantage. To achieve these ends, it is taken to be sufficient to provide rent control and freedom from eviction for the one and control of mortgage interest and freedom from foreclosure for the other, so long as rent and interest respectively continue to be paid.

The limits of application of this series of enactments has been defined by a rateable value classification of housing and has varied as shown in the following table:—

TABLE I.

| Act of | Houses of Annual Rateable Value in |          |           | Permitted Increase      |                   | % of Total Housing Controlled. Gt. Britain |
|--------|------------------------------------|----------|-----------|-------------------------|-------------------|--------------------------------------------|
|        | London                             | Scotland | Elsewhere | Net Rent†               | Mortgage Interest |                                            |
| 1915   | Up to £35                          | £30      | £26       | Nil                     | Nil               | 85%                                        |
| 1919   | " " £70                            | £60      | £52       | 10%                     | ½% (Max 5%)       |                                            |
| 1920   | " " £105                           | £90      | £78       | 30% after 2/7/21<br>40% | 1% (Max. 6½%)     | 98%                                        |
| 1923   | " " £105                           | £90      | £78       | ...                     | ...               |                                            |
| 1933   | " " £45                            | £45      | £35       | ...                     | ...               |                                            |
| 1933   | " " £35                            | £35      | £20       | ...                     | ...               |                                            |
| 1939   | " " £100                           | £90      | £75       | ...                     | ...               | 98%                                        |

\* Adapted from Marley Committee Report, 1931, Cmd. 3911, p. 11.

† Net Rent=standard rent (*less* tenants rates where these are paid by the landlord). If not let at that date, the rent at which last let prior to that date, or if first let after that date the rent at which first let.

<sup>1</sup> See Table I.

The 1939 Act enforced the restriction of all rents to the figure obtaining on September 1st of that year, but owing to the introduction of gradual decontrol in the preceding period the situation, crystallised by this measure, was totally different from that in 1915. Rents, by the 1915 Act, had been controlled at the figure obtaining on August 3rd, 1914 (Standard Rent) and this tended to be much the same for similar types of housing. Since rents tended to be uniform, other things being equal, there was a certain definite relationship between rent and rateable value.<sup>1</sup> Since 1923, however, both these simplifying factors have disappeared. Decontrol has not occurred simultaneously for all the houses in any class or district, but has depended upon the dwelling coming into vacant possession by the landlord. Under the 1923 Act, houses of any class<sup>2</sup> became decontrolled on vacant possession, but from 1933, the further decontrol of working-class housing was suspended, while that of class A housing was completed. Decontrol of class B housing continued to depend upon individual circumstances. Further, many new houses have been built since 1919 and these have not been subject to control till 1939. By 1937, the following estimate of the situation was given by the Ridley Committee.

TABLE II.

| <i>Type of Dwelling</i>            | <i>England &amp; Wales</i> |        | <i>Scotland.</i> |       |
|------------------------------------|----------------------------|--------|------------------|-------|
|                                    | 1931                       | 1937   | 1931             | 1937  |
| Class C. Total* No. (000)          | 5,600                      | 6,300  | 792              | 819   |
| % controlled                       | 78                         | 57     | 77               | 60    |
| Class B. Total* No. (000)          | 2,250                      | 2,950  | 260              | 293   |
| % controlled                       | 60                         | 32     | 74               | 50    |
| Class A, B and C. Total* No. (000) | 9,050                      | 10,500 | 1,123            | 1,185 |
| % controlled                       | 69                         | 43     | 76               | 54    |

\* Includes houses built since 1919.

The rent of a house, on becoming decontrolled, almost invariably rose considerably, this has introduced particular complications into the situation. The average differences are shown in Table III below.

TABLE III.\*

*Approximate Ranges of Average Net Rents † of Working-class Houses and Index Numbers of Rents, 1937 (1914 = 100).*

| <i>Type of House</i> | <i>(Class C)</i>      |                                                 |                                                 |                                                 |
|----------------------|-----------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
|                      | <i>Greater London</i> | <i>County Boroughs Excluding Greater London</i> | <i>Other Urban Districts ex- Greater London</i> | <i>Rural Districts excluding Greater London</i> |
|                      | s. d.                 | s. d.                                           | s. d.                                           | s. d.                                           |
| Controlled           | 8 6 100               | 5 10 100                                        | 5 6 100                                         | 4 6 100                                         |
| to                   | 9 0                   | to 6 2                                          | to 5 10                                         | to 4 10                                         |
| Decontrolled         | 12 6 147              | 7 6 127                                         | 7 0 127                                         | 5 9 128                                         |
| to                   | 13 0                  | to 7 9                                          | to 7 4                                          | to 6 0                                          |
| Local Authority      | 10 6 123.5            | 7 2 121                                         | 6 11 125                                        | 6 0 133                                         |

\* Adapted from the Ridley Committee Report Cmd. 5621, p. 17.

† Exclusive of rates, watercharges, etc.

As regards privately owned new housing, the Committee stated that 'information was incomplete but sufficient to show that, in general,

<sup>1</sup> Rateable value used to be roughly 5/6 of rent, 1914.

<sup>2</sup> Class defined by rateable value: A—Over £45 in London and Scotland; over £35 elsewhere; B—£20—£45 in London; £26 5s.—£45 in Scotland; £13—£35 elsewhere; C—Under £20 in London; £26 5s. in Scotland; £13 elsewhere.

the rents charged are considerably higher than the rents of small de-controlled houses.'

The early adoption in this war of extended rent control has prevented, in part, the same alarming increase in rents that occurred in 1914—1915. But rent restriction operates differently with respect to unfurnished and to furnished property, and the workings of the Act will be considered under these two headings.

#### UNFURNISHED HOUSING

The wide scope of the regulations in respect of this class of dwelling (see Table I), would lead to the expectation that the level of rents, would be little, if at all, higher than in 1939. Yet reports of increases in rents are numerous in the Press and elsewhere and are difficult to reconcile with the rent item in the Ministry of Labour's Cost of Living Index, where a rise of only 1% over September 1st, 1939, is recorded.

Owing to its method of obtaining information regarding rents, the Ministry of Labour's figure appears liable to two sources of error. The rent estimate is based upon enquiries made through the post by the Ministry, of Town Clerks and other officials of local authorities, and of Property Owners Associations.<sup>1</sup> It is unlikely that rents, or rent increases, illegal under the Act, will be included in the estimates returned. Again the rents of houses being let for the first time since 1939 would tend to be higher than controlled rents and yet it is probable that their effect, too, is left out of account<sup>2</sup> in the estimates. In view of the large movements of population that have taken place this may well be an appreciable factor. Even of working class housing an appreciable proportion<sup>3</sup> is owner-occupied nowadays.<sup>4</sup> A further complication is that the index has reference only to unfurnished property which may be sufficient in peace-time but in war-time the renting of furnished dwellings becomes an important factor.

The only way of detecting the influence of these factors would be by direct enquiries of the sample survey type. This could only be done on an adequate scale through official channels. An unofficial trial sample was, however, undertaken in Birmingham, in one of the wards of the city outstanding even before the war for its degree of overcrowding. House to house visits were conducted by a person, well known in the district and trusted, and enquiries made as to the rents paid in 1939 and 1943. The results obtained are tabulated below :—

TABLE IV.  
*Sample Survey of Rents of Unfurnished Houses.  
in a Birmingham Street,\* 1943.*

| % Increase of 1943 rent<br>over 1939 figure | % of total number<br>of houses visited |                            |
|---------------------------------------------|----------------------------------------|----------------------------|
| 0                                           |                                        |                            |
| 1—2                                         | 19                                     |                            |
| 3—4                                         | 2.7                                    |                            |
| 4—5                                         | 32                                     |                            |
| —                                           | —                                      | Remaining 37% war-dam-     |
| 10—12                                       | 2.5                                    | aged or business premises. |
| 20—45                                       | 4                                      |                            |

\* Size of sample : 75 houses (nos. 1—75).

<sup>1</sup> See the Ministry of Labour pamphlet on the Compilation of the Cost of Living Index, 1937.

The sample is too small and too unrepresentative for any extended conclusions yet the cases of suspected evasion—the 4% showing a 20—45% increase—have a certain interest, since they demonstrate the difficulties of the tenant. Of the houses visited only 7% had had changes of tenancies since the outbreak of war; this 7% included the 4% having rents well above those of houses of an identical pattern on either side of them. Yet the new tenants could not be certain that their rents were unduly high, for it appeared to them possible that the rise had occurred between 1923 and 1933, a period in which the decontrol of individual class C houses was occurring.

Rent Books are now compulsory for all rent collected weekly and it is obligatory upon the landlord or his agent both to record in it the Standard Rent and to keep the book up-to-date. But it is not an adequate protection, for the tenant has no means of checking whether the Standard Rent declared is correct. Local authorities have become increasingly willing to advise tenants upon their situation, but their knowledge of the true Standard Rent is not much greater. Even if they reach the conclusion that evasion is occurring in any particular case, the onus of instituting proceedings is still that of the tenant, and he is still liable to bear the costs of the action if he fails to prove his case. This is a considerable deterrent to taking action. For the landlord, the sole deterrent is a fine of ten pounds (and costs) if convicted, and the return of excess rent, retrospectively for two years.

The situation would be improved if the Standard Rent for each dwelling were to be certified by the local authorities. In the case of housing continuously controlled since 1915, the approximate value of the Standard Rent can be calculated from the 1914 Rateable Value. Where the house became decontrolled between 1923 and 1933 the solution is more difficult, but at least a register of these dwellings has been made, and was finally brought up-to-date in 1938. In cases of doubt, the fixing of the Standard Rent might be performed in accordance with the recommendations of the 1937 Committee on this point: 'to fix the standard rent by reference to the standard rents of similar neighbouring houses.' Since the housing shortage is likely to persist for some years after the war, a register<sup>5</sup> of Standard Rents for class C housing will continue to be useful. The deterrents to evasion would be increased if a heavier penalty were to be imposed on conviction and if local authorities were more willing to institute proceedings themselves.

Yet even the introduction of such changes would leave a proportion of houses subject to no control. The chief categories unaffected by the Acts are houses not rented on a weekly basis and those let for the first time since September 1939. For the first, the declaration of the Standard Rent might be made compulsory in the lease, and this figure certified in the same way. For the second group, no terms of reference exist and, as with furnished housing, the landlord can charge what the market will bear, providing the figure is not 'extortionate.'

<sup>2</sup> Because owner-occupiers would not usually be members of Property Owners Associations which are really organs of landlords proper.

<sup>3</sup> 67% of middle-class houses are owner-occupied: Massey: Royal Statistical Society, 16/6/1942.

<sup>4</sup> Ministry of Labour Cost of Living Inquiries showed that 18% of industrial and 4% of agricultural class C houses were owner-occupied in July 1937.

<sup>5</sup> This might be open to public inspection.

An impression of the present situation can be obtained from Table IV below. This has been compiled upon estimates provided by a reputable firm of estate agents in a Midland town which has grown considerably in war-time. It shows the effects of control upon the different categories, both upon those falling within the scope of the Acts (Columns IIIb & Vb) and the others.

TABLE V.  
*Index Numbers of Prices (or Rents) with the corresponding  
Index Numbers of Transactions for 1943*  
(1939=100)

| Rateable<br>Value | HOUSES  |     |                   |     |                     |     | FLATS             |     |                     |     |
|-------------------|---------|-----|-------------------|-----|---------------------|-----|-------------------|-----|---------------------|-----|
|                   | SALES   |     | LETTINGS          |     |                     |     | LETTINGS          |     |                     |     |
|                   | I       |     | II                |     | III                 |     | IV                |     | V                   |     |
|                   | Price   | No. | Furnished<br>Rent | No. | Unfurnished<br>Rent | No. | Furnished<br>Rent | No. | Unfurnished<br>Rent | No. |
| a. Over £75       | 160—170 | 50  | 150               | 300 | 150—160             | 25  | 150               | 200 | 200                 | 200 |
| b. Under £75      | 175—180 | 25  | 160—170           | 300 | Con-<br>trolled     | 10  | 200               | 300 | Con-<br>trolled     | 0   |

It can be seen that housing, of which the rent is controlled, has disappeared off the market, and its exchange no longer occurs through the usual channels. The present factors determining the choice of the new tenant vary with the type of housing, from the taking of premiums or key money,<sup>1</sup> said to be frequent even with class C housing, to the use of 'influence.' This leads to a scale of preferences in which money plays its usual part but in which also old age or the having of young children are often a complete disqualification. In the present state of acute local shortage it is difficult to see how legislation can prevent this haphazard distribution of housing space, for both the prospective tenant (often quite desperate) and the unscrupulous landlord are interested in striking these bargains.<sup>2</sup> To introduce some form of rationing according to need by the more rigorous use of the extensive billeting powers, already possessed by local authorities under the Emergency Powers Acts would solve the problem on paper but would meet with administrative and practical difficulties, especially as local authorities, being elected by ratepayers are not in a strong position. It might be sufficient at present to make it compulsory for all housing accommodation falling vacant<sup>3</sup> to be notified to the Billeting Officer, or some other representative of central authority, to whom also applicants for accommodation should all have to apply. This would at least ensure that need was given some priority.

The prices of houses sold (chiefly for owner-occupation) have risen considerably, much more than the cost of living index and roughly in

<sup>1</sup> This is illegal under the Act and is liable to a fine not exceeding £100.

<sup>2</sup> Premiums may very easily be concealed e.g. by making both the out-going tenant and the one coming in pay for the same repairs.

<sup>3</sup> Changes of tenancy occur without notifying the authorities whose requisitioning is confined at present to empty houses.

proportion to the change in building costs.<sup>1</sup> But the number of transactions is only a fraction of the pre-war turnover. Rents of uncontrolled categories have moved up proportionately but in the case of furnished lettings, the increase in price has been accompanied by some increase of supply. Yet reports suggest that the rents in individual cases have risen very much more than recorded here. This brings us to the working of the Act in the second main category.

#### FURNISHED HOUSING

The charging of extortionate rents for this type of accommodation has been prohibited by each of the Acts since 1915, but no attempt has been made to fix maximum rents or otherwise to define extortion.<sup>2</sup> The difficulty is partly to decide the value added by furnishings, and partly to find some fair way of giving the tenant reasonable security of tenure.

The exploitation of need has assumed considerable proportions; many instances of this are given daily in the Press, and legislation has at last been introduced for Scotland (Control of Housing (Scotland) Bill (Money), October 27th, 1943) where the situation is even more acute than in England. In the successive debates the difficulties of control were again reviewed and finally it has only been enacted that Rent Tribunals are to be set up, where necessary, to arbitrate upon charges of extortion, and a register of decisions, open to public inspection, is to be kept. This advance cannot be regarded as adequate, partly because the setting up of these courts by local authorities is permissive and not compulsory, except upon a further injunction by the Secretary of State; and further because the act does not attempt to deal with the much more fundamental problem of distribution, in its two aspects of allocation and security of tenure. This is likely to require more than one line of attack.

*The Rent Court System* might be extended not only to cover the whole country but also to cover all classes of housing, both as regards rents and allocation. For *furnished housing* some rule of thumb<sup>3</sup> might be offered to enable tenants to decide, before raising the issue, whether or not they were being fairly charged. Even for *unfurnished housing* some revision of rents might be possible. Arbitration, by reducing the disparity between rents in the same neighbourhood, would make the detection of illegalities more easy. It might also succeed in reducing the hardship at present inflicted in some cases upon the tenant and in others upon the landlord.

Yet this alone will not solve the problem of *allocation*, for which more rigid application of billeting and requisitioning seems necessary, since complete *security of tenure* seems inapplicable. But the worse forms of discrimination could be prevented if the householder knew that unless hardship could be shown, the sole alternative to the present tenants would be another family of the same type (e.g. with young children). Sufficient elasticity might be provided if the Rent Courts acted as courts

<sup>1</sup> Cf. G. D. N. Worswick : Prices and Retail Consumption in 1943, BULLETIN Vol. 5, No. 4, S. Moos : BULLETIN Vol. 5, Nos. 14 and 15 : two articles on Building Labour and Building Materials.

<sup>2</sup> Cf Reports of 1921 and 1931 Committees on Rent Restriction ; also House of Commons debates on Scottish Bill.

<sup>3</sup> On the lines of Extortionate Rent Enquiries undertaken under the Evacuation Scheme.

of appeal against consequent hardships. A change of tenants, genuinely due to personal friction, might then be permitted, providing alternative accommodation could be found.

Some increase in supply has recently been foreshadowed by the Minister of Health<sup>1</sup> but the overall shortage in 1944 has recently been estimated<sup>2</sup> at a minimum of twelve hundred thousand houses (more than 10%.) This basic shortage cannot be made up in war-time, even assuming a great deal of 'first aid' repair, especially if the local variations of demand are remembered. More direct control seems unavoidable. More extensive billeting and requisitioning, coupled with rent control and made flexible by Rent Tribunal arbitration<sup>3</sup> would seem to be the most workable solution.

P. ADY.

## THE NEW PLAN FOR AN INTERNATIONAL INVESTMENT BOARD.

The U.S. plan concerning the organisation of international long-term lending after the war has now been published. At the same time the text of a memorandum explaining the principles of the functioning of the new institution has also been made known.<sup>4</sup> The new bank is to have ample means at its disposal, apart from its own resources, which are to amount eventually to \$10,000 million. The governing board is empowered to obtain additional means by the issue of its own obligations and such other borrowing operations in the participating countries as the board sees fit to undertake. Given the willing cooperation of the governments and central banks of the member countries, there is no limit in practice to the resources which the new scheme could put at the disposal of borrowers. The limitation of means is not one of the drawbacks from which the new scheme suffers, and it could, if suitably employed, usefully supplement the currency stabilisation scheme whose provisions were announced earlier.

A long-term international investment scheme should fulfil two aims. It must first enable member countries to pursue a policy of full employment and deal in a suitable manner with surpluses and deficiencies in the balance of payments of member countries arising solely out of the depression of any one of the major participating countries. It must secondly enable the orderly industrialisation of areas poor in capital equipment, so as to permit a general increase in the standard of life of the world as a whole.

(1) In our Supplement No. 5 on the New Plans for International Trade we have tried to outline a scheme which by a suitable close inter-linking between a currency equalisation or clearing scheme and a long-term lending scheme would permit the maintenance of full employment in

<sup>1</sup>Address to the National Building and Town Planning Association Conference, October 10th, 1943.

<sup>2</sup>Marian E. A. Bowley: 'Some Unsolved Problems of Housing Policy.' *Political Quarterly*, October—December, 1943.

<sup>3</sup>Rent Tribunals have operated successfully in Sweden since 1939.

<sup>4</sup>*Cf. Financial News*, October 7th, 1943. It has been reported that this draft of the scheme was amended but not substantially. *Financial News*, October 12th, 1943.

any participating country irrespective of the policy pursued abroad. This task was to be accomplished by arranging loans to backward areas sufficiently large to wipe out the international trading surpluses and deficits of the participating countries. These loans were to be used to obtain commodities from the deficit countries to help them in readjusting their balance without forcing them in their turn to deflate or to pursue an autarkic commercial policy. This scheme did not render superfluous a readjustment in those countries whose deficit arose out of reasons other than the depression abroad, but even these readjustments would be helped by the proposed mechanism as it would eliminate the danger of a general deflationary spiral consequent upon the readjustment.

The new scheme does not provide for such a close interlinking between the currency and long-term lending schemes, an interlinking which in the nineteenth century was, with occasional jerks, achieved by the domination of London over the international gold standard due to its monopoly position in short-term finance of international trade linked with continuous foreign lending. Certain paragraphs of the memorandum indeed, which caution against long-term lending to countries pursuing unwise budgetary policies, suggest that the authors of the plan would be opposed to the use of foreign loans coupled with budget deficits to promote world-wide full employment, a method which would lessen the need for national recovery projects involving protectionism merely for the sake of maintaining the balance of payments. The scheme should therefore be further elaborated and reassurance ought to be sought that the bank's ample means will be used for the right purpose.

(2) International help in industrialising backward areas ought not to be made exclusively dependent on the function of the Bank as a stabiliser of world employment, i.e. in part on the depression of big industrial countries. This aspect of long-term investment schemes should only be a *balancing factor* in a programme of industrialisation, or, in other words, whenever a large mature country is depressed, that depression can be made an occasion for *speeding up* the industrialisation by using the idle capacity of the depressed country directly or indirectly for that beneficent purpose. The basic programme of industrialisation, however, must be based on a *deliberate temporary foregoing* by the *richest countries* of the fruits of their own high productivity in favour of backward areas.<sup>1</sup> This can be done by a consistent and steady lending which is not interrupted whenever any of the mature countries nears full employment. The success of such a long-term industrialisation programme depends, however, on the replanning of the economic structure of whole areas (not even of single countries) and such programmes should not be restricted to giving occasional loans to individual public or private projects. The reason for this condition of success is that a coherently planned industrialisation scheme will give far higher real returns than individual 'projects.' This does not necessarily mean that private ventures should be excluded, but any such ventures must be co-ordinated with the plans elaborated for those areas as a whole.

The scheme as outlined does not envisage such coherent planning, unless indeed the proviso that the investment banks should only extend

<sup>1</sup> If full employment in these areas is maintained by 'useless' public works, then the international help in industrialisation of poorer areas would not involve a fall in the consumption of the richer areas.

credit when normal private channels fail can be interpreted in this way. It stands to reason that no single individual firm could either replan a borrowing area or, contrariwise, mobilise in the lending country sufficient funds to help in the execution of that plan. It would be necessary therefore to amplify the provisions under which the new investment bank is prepared to grant credits.

(3) A further point is of some importance, though logically it is implicit in both earlier points. It would be essential when granting these loans to determine in advance the general lines on which the servicing and repayment of the loans is to be effected. Otherwise the repayment may well initiate a general deflationary spiral which must frustrate the attempt. If the industrialisation plans of whole regions are worked out on the basis of the best technical information available, and with due regard to the probable developments in the lending countries ; if, moreover, the problem of currency stabilisation is solved in the way indicated above, the problem need not arise. The maintenance of full employment all round by the mechanism described in (1) would in any case sustain world demand. Care can then be taken that demand in the creditor countries should be increased even further so as to cause an excess of imports. Special measures e.g. the use of the products of the newly industrialised areas for social services or for further internal and international investment programmes of the 'lending' country might be considered. This indeed happened accidentally during the nineteenth century, but unless some attention is paid to the qualitative, apart from the quantitative, aspect of the problem, the coincidence facilitating smooth transfer need not repeat itself in the coming decades.<sup>1</sup>

On all these three points further amplification of the United States scheme is urgently required, without which it cannot by its mere amplitude of means provide a satisfactory solution of the problem of maintaining full employment internationally and obviate a further bout of acute economic nationalism.

T. BALOGH.

<sup>1</sup> Cf. On the latter point Dr. Rodan, *Economic Journal*, September—December 1943.